

# CPP ANNUAL USE OF CAPITAL SURVEY - 2010



NAME OF INSTITUTION

(Include Holding Company Where Applicable)

Horizon Bancorp

Point of Contact:	Mark E. Secor, CFO	RSSD: (For Bank Holding Companies)	130541
UST Sequence Number:	176	Docket Number: (For Thrift Holding Companies)	n/a
CPP/CDCI Funds Received:	25,000,000	FDIC Certificate Number: (For Depository Institutions)	4360
CPP/CDCI Funds Repaid to Date:	6,250,000	Credit Union Charter Number: (For Credit Unions)	n/a
Date Funded (first funding):	December 19, 2008	City:	Michigan City
Date Repaid <sup>1</sup> :	11/10/2010	State:	Indiana

<sup>1</sup>If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

**What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).**

☒ **Increase lending or reduce lending less than otherwise would have occurred.**

The additional CPP capital helped to allow an increase in mortgage lending activity during 2009 and 2010 reflected by the average balance of the Company's mortgage loans approximately \$28 million higher during 2010 compared to 2008.

☒ **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

The additional CPP capital helped to allow the Company's mortgage warehouse and residential mortgage lending to increase originations from mortgage refinancing during 2010 to approximately \$3.1 billion compared approximately \$2.1 billion in 2008.

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☒ **Increase securities purchased (ABS, MBS, etc.).**

To leverage the CPP capital additional securities were purchased. Since 2008 securities increased approximately \$88 million, approximately \$36 million in federal agencies and mortgage backed securities and approximately \$52 million in state and municipal investments.

☐ **Make other investments.**

☒ **Increase reserves for non-performing assets.**

The increase in earnings from the ability to leverage the CPP capital provided additional income to help fund some of the required provision for loan loss increase in 2010 compared to 2008 of approximately \$4 million due to the increase in non-performing loans.

☐ **Reduce borrowings.**

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☒ **Increase charge-offs.**

The increase in earnings from the ability to leverage the CPP capital provided additional income to help fund some of the required provision for loan loss needed for the \$2.6 million increase in net charge-offs during 2010 compared to 2008.

☒ **Purchase another financial institution or purchase assets from another financial institution.**

The CPP provided a capital cushion, above Horizon's already well capitalized status, for the purchase and assumption transaction with American Trust and Savings Bank, Whiting, Indiana. This transaction closed in the 2nd quarter of 2010.

☐ **Held as non-leveraged increase to total capital.**

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### What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The Company exceeded the current regulatory well capitalized requirements prior to the capital infusion of CPP funds and would have maintained that level during 2009 and 2010 without the infusion of CPP funds however due to the 2008 world wide liquidity crisis the Company determined that at that time, it was prudent to increase its liquidity with this capital.

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### What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The additional CPP funds allowed the Company to leverage the capital by increasing the securities portfolio which provided additional interest income during 2010, the ability to increase the activity in mortgage lending by providing the capital to allow the outstanding balances to increase at times to meet the refinancing demands, and the opportunity to enter into a purchase and assumption agreement of a troubled institution in our market.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

None.